

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

AMEMBASSY OTTAWA PRIORITY

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C O N F I D E N T I A L STATE 245716

EXDIS

E.O. 11652: GDS

TAGS: PFOR, ENRG, LY

SUBJECT: DISPUTE BETWEEN OCCIDENTAL PETROLEUM AND THE
GOVERNMENT OF LIBYA

LONDON FOR KINSOLVING

1. OCCIDENTAL PETROLEUM HAS HAD A LONGSTANDING DISPUTE WITH
THE LIBYAN GOVERNMENT OVER THE IMPLEMENTATION OF AN
EXPLORATION AGREEMENT AND LIBYAN LIMITATIONS ON ALLOWABLE
LEVELS OF PRODUCTION. OCCIDENTAL CLAIMS THAT LIBYAN ACTIONS
HAVE RESULTED IN LOST PROFITS AND "CONSTRUCTIVE
NATIONALIZATION", AND HAS FILED ARBITRATION NOTICES IN
CONFORMITY WITH THE TERMS OF THE CONTRACTS GOVERNING EACH
CASE. TOTAL DAMAGES CLAIMED, ACCORDING TO OCCIDENTAL,
AMOUNT TO MORE THAN ONE BILLION DOLLARS.

2. WHEN THE LIBYANS REFUSED TO ACCEPT THE ARBITRATION
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NOTICES OCCIDENTAL DECIDED TO WITHHOLD PAYMENT OF 440

MILLION DOLLARS IN TAXES AND OTHER FEES DUE ON OCTOBER 1. AT THIS POINT THE LIBYAN GOVERNMENT INFORMED OCCIDENTAL THAT A RESTRICTION HAD BEEN PLACED ON THE DEPARTURE OF ALL OCCIDENTAL EXPATRIATE EMPLOYEES AND DEPENDENTS FROM THE COUNTRY. THESE ARE MOSTLY BRITISH (205) AND AMERICAN (230) CITIZENS BUT THERE IS ALSO A SIGNIFICANT NUMBER OF CANADIANS (26).

3. WE HAVE RAISED THE ISSUE OF DEPARTURE OF AMERICAN CITIZENS WITH THE LIBYANS AND EMPHASIZED THAT TRAVEL RESTRICTIONS ON COMPANY EMPLOYEES AND DEPENDENTS BECAUSE OF A DISPUTE WITH THEIR EMPLOYER ARE UNACCEPTABLE. THE LIBYANS RESPONDED THAT THEY ARE NOT RESTRICTING THE DEPARTURES OF OCCIDENTAL EMPLOYEES AND DEPENDENTS BUT HAVE TAKEN MEASURES TO PREVENT DAMAGE TO OIL FIELDS WHICH WOULD OCCUR IF ALL OCCIDENTAL TECHNICAL PERSONNEL LEFT AT ONCE. THE LIBYANS HAVE ALLOWED SEVERAL PERSONS AFFILIATED WITH OCCIDENTAL TO DEPART AND THERE IS AN INFORMAL UNDERSTANDING THAT FIELD PERSONNEL WILL BE ABLE TO TAKE REGULAR ROTATIONAL LEAVE PROVIDED REPLACEMENTS ARE ARRIVING IN COUNTRY AT THE SAME TIME.

4. HOWEVER, ON OCTOBER 14 TWO AMERICANS AND TWO BRITISH OXY EMPLOYEES WHO SHOULD HAVE FALLEN UNDER THE INFORMAL UNDERSTANDING WERE TURNED BACK AT TRIPOLI AIRPORT. WE HAVE TAKEN UP THE CASE OF THE TWO AMERICANS WITH THE LIBYAN FOREIGN MINISTRY WHICH IS LOOKING INTO THE MATTER. WE HOPE THAT THIS AND SIMILAR CASES WILL BE RESOLVED IN THIS MANNER IN ACCORDANCE WITH THE PREVIOUS LIBYAN ASSURANCES THAT DEPARTURES WOULD NOT BE RESTRICTED. FOR THEIR PART OCCIDENTAL HAS TOLD US THAT THEY WILL NOT ATTEMPT TO BRING OUT EMPLOYEES IN LARGE NUMBERS, A MOVE WHICH WOULD PROBABLY PROVOKE LIBYAN COUNTERACTION.

5. THERE REMAINS THE POSSIBILITY, HOWEVER, THAT THE LIBYANS WILL NOT RESPOND POSITIVELY TO OUR CASE BY CASE APPROACHES. IF THIS OCCURS IT WILL BE NECESSARY TO TAKE FURTHER MEASURES. AMONG THE FIRST OF THESE WOULD BE A STRONG PROTEST WHICH WOULD HOPEFULLY BE MADE IN CLOSE COORDINATION WITH THE OTHER TWO GOVERNMENTS MOST DIRECTLY INVOLVED, BRITAIN AND CANADA. ALTHOUGH WE ARE NOT CERTAIN

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THIS WILL BE NECESSARY WE WANT TO ALERT ACTION ADDRESSEES TO THE SITUATION AND WOULD APPRECIATE ANY SUGGESTIONS ON PROCEDURE OR OTHER COMMENT WHICH THEY MAY CARE TO OFFER.

6. YOU SHOULD DISCUSS THIS MATTER IN LOW KEY WITH HOST GOVERNMENTS AND REPORT THEIR VIEWS AND ANY INDEPENDENT INFO THEY MAY HAVE, EMPHASIZING WE ARE RAISING THIS ON PURELY CONTINGENCY BASIS AND ARE PROPOSING NO ACTION AT THIS

TIME. KISSINGER

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